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Message Text

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ACTION DHA-05

INFO OCT-01 IO-14 ISO-00 ABF-01 OMB-01 TRSE-00 EA-12
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EO 11652: N/A
TAGS: SREF,IICEM
SUBJ: ICEM SUB-COMMITTEE ON BUDGET AND FINANCE (SCBF)
1. SUMMARY. IN A TWO-DAY SESSION, THE SCBF
MET ON SEPTEMBER 102 TO EXAMINE THE FINANCIAL ASPECTS
OF ICEM PROGRAMS FOR 1977 AND 1978. RECOMMENDATIONS
TO IMPROVE THE FINANCIAL SITUATION PROPOSED BY
THE US LAST MARCH WERE ALSO REVIEWED. THE SCBF ALSO
FELT OBLIGED TO CONSIDER THE IMPLICATIONS OF THE
PROBABLE WITHDRAWAL OF SPAIN. END SUMMARY.

2. ICEM DIRECTOR THOMAS REPORTED A CURRENT DEFICIT
IN THE 1977 BUDGET OF $93,000 IN THE ADMINISTRATIVE
BUDGET AND $475,000 IN THE OPERATIONAL BUDGET.
INFLATION AND THE REDUCED VALUE OF THE DOLLAR WERE
GIVEN AS THE PRIME REASONS FOR THE SHORTFALL.
THE DIRECTOR WAS CONFIDENT THAT THE SHORTFALL IN
THE ADMINISTRATIVE BUDGET COULD BE MADE UP. THE
PROSPECTS OF ACCOMPLISHING THE SAME FOR THE
OPERATIONAL BUDGET WERE NOT AS PROMISING. IN
FACT, UNLESS MOVEMENTS FROM PORTUGAL TO VENEZUELA
INCREASE AND THE US PROGRAM TO ADMIT AN ADDITIONAL
15,000 INDOCHINESE REFUGEES PRODUCES SUBSTANTIAL
INCOME, THERE WILL BE A REAL DEFICIT BY THE END
OF THIS YEAR AMOUNTING TO $200,000 TO $500,000.
THE DIRECTOR MAY HAVE TO ISSUE A SPECIAL APPEAL AT
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THE NOVEMBER COUNCIL SESSION TO COVER THIS AMOUNT.

3. THE SCBF FOUND THE BUDGET DEFICIT SITUATION
ELUSIVE. IT BELIEVED THAT THERE WOULD BE A REAL
DEFICIT IN NOVEMBER OF AN UNSPECIFIED AMOUNT. IT
CONSIDERED THAT MEMBER GOVERNMENTS SHOULD BE ALERTED TO
THIS POSSIBILITY AS QUICKLY AS POSSIBLE. IT

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RECOMMENDED THAT THE SCBF REPORTED BE FORWARDED TO ALL
MEMBERS AS SOON AS PRINTED.

4 . THE 1978 BUDGET SITUATION WAS VIEWED AS FAR
MORE SERIOUS. THE PROJECTED SHORTFALL IN THE
OPERATIONAL BUDGET IS OVER $1IMILLION. THE
ADMINSTRATIVE BUDGET WILL RISE TO $4.6 MILLION AND
THERE IS CONCERN THAT SOME MEMBERS MAY FALL SHORT
OF MEETING THEIR ASSESSED COMMITMENT. MOREOVER,
THERE ARE NO SPECIAL ACTIVITIES IN THE HORIZON,
NOT ALREADY TAKEN INTO ACCOUNT, WHICH COULD PRODUCE
ANYWHERE NEAR WHAT IS REQUIRED. ADDITIONALLY,
INFLATION IS ESTIMATED TO BE AT A RATE OF SIX
PERCENT. THE SCBF WAS ALSO CONCERNED THAT WITH
THESE SIGNIFICANT INCREASES THE SHORTFALL IN THE
OPERATIONAL BUDGET WOULD BECOME EVEN LARGER. THERE
WAS THE FEAR THAT TOTAL GOVERNMENT CONTRIBUTIONS
WOULD NOT RISE SUFFICIENTLY TO KEEP PACE WITH
ADDED COSTS. COMMITMENTS TO THE ADMINISTRATIVE
BUDGET WOULD LARGELY BE FULFILLED, BUT SMALLER
VOLUNTARY CONTRIBUTIONS WOULD BE AVAILABLE FOR
OPERATIONS.

5. IN LOOKING AT THE 1978 SITUATION,ITHE SCBF
REVIEWED THE US PROPOSALS TO IMPROVE THE BUDGET.
THE VALIDITY OF THESE PROPOSALS WAS REAFFIRMED.
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SPECIAL ATTENTION WAS GIVEN TO THE PROPOSAL WHICH
INVOLVED THE TRANSFER OF "MISCELLANEOUS INCOME" FROM
THE ADMININISTRATIVE BUDGET TO THE OPERATIONAL BUDGET.
THE COST TO GOVERNMENTS' CONTRIBUTIONS TO THE
ADMINISTRATIVE BUDGET AS A CONSEQUENCE WAS EXAMINED
IN DETAIL. AT THE SAME TIME, THE IMPLICATIONS OF
THE SPANISH WITHDRAWAL WAS REVIEWED. THIS WILL RESULT,
FOR EXAMPLE, IN A LOSS TO THE ADMINISTRATIVE BUDGET
IN 1978 OF $117,000. THE ICEM DIRECTOR PLANS TO
ENTER INTO NEGOTIATIONS WITH THE GOS IN THE NEXT
FEW WEEKS AIMED AT REDUCING ICEM OPERATIONS IN THAT
COUNTRY.

6. THE ICEM DIRECTOR SOUGHT GUIDANCE FROM THE
SCBF ON PROCEDURES GOVERNING SPECIAL PROGRAMS.
THE SCBF RECOMMENDED THAT THERE BE NO MODIFICATION
OF THE EXISTING GUIDELINES AND PROCEDURES.

7. COMMENT. ICEM WILL SURELY SURVIVE FINANCIALLY
IN 1977, BUT MAY BE OBLIGED TO DRAW ON RESERVES.
THE PICTURE FOR 1978 IS SERIOUS. THERE WILL EITHER
BE A REAL REQUIREMENT FOR EXTRAORDINARY CONTRIBUTIONS

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OR A SUBSTANTIAL CUT IN STAFF OR SERVICES.VANDEN HEUVEL

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Message Attributes

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